

Instrument prepared by:

VIRGINIA GAS AND OIL BOARD

Order recorded under:

CODE OF VIRGINIA
§ 45.1-361.26

VIRGINIA:

BEFORE THE GAS AND OIL BOARD

APPLICANTS:

CNX Gas Company LLC on behalf of Buford E. Short
et ux and Court Order in Case No 11-301 for the
disbursement of funds in Tract 1B of Unit AV-127.

DOCKET NO.

04-1214-1365-01

RELIEF
SOUGHT:

Issuance: A Supplemental Order for Disbursement of Escrowed Funds
Action: Amending Prior Orders Affecting Drilling AV-127,
Tract 1B
(Referenced herein as "the Subject Drilling Unit")

Location: Russell and Tazewell County, Virginia**Action Details:**

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit AV-127 by Tract Subaccounts;
- (2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
- (3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling Unit's

REPORT OF THE BOARD**FINDINGS AND ORDER**

1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on May 17, 2011 at the Russell and Tazewell County Government, Conference Center, and 139 Highland Drive in Lebanon, VA.
2. **Appearances:** Mark A. Swartz, Esq. SWARTS Law Offices PLLC appeared for the Unit Operator; and Sharon M.B. Pigeon, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract sub accounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract sub accounts. The Board finds that: (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein.

4. **Prior Proceedings:**

- 4.1. (a) On July 21, 2005 the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Russell on July 25, 2005, Instrument Number 0502408 and in Tazewell County on July 26, 2005, Instrument Number 050003718. The Board executed its Supplemental Order Regarding Elections on March 20, 2008.
- 4.2. To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, the coal estate ownership interests of Coal Mountain Mining Co. Limited Partnership, LLP and the gas ownership interests of Buford E. Short et ux of Tract 1B in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3. The Unit Operator's Miscellaneous Petition regarding Tract 1B, a copy of which is attached to and made a part hereof, states under oath that Buford E. Short, et ux is entitled to 100% of the Royalties according to the final order which was entered on March 30, 2011, Case No. 11-301, adjudicating the ownership of coalbed methane gas. Further, any future escrow regarding these individual conflicting claims detailed herein, is no longer required for these parties.
- 4.4. The Unit Operator gave notice to Coal Mountain Mining Co. Limited Partnership, LLP and the Applicant that the Board would consider its disbursement authorization at its hearing on May 17, 2011 and consider whether to: (1) amend the Pooling Order to provide for the disbursement a portion of funds on deposit in the Escrow Account attributable to Tract 1B identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tract 1B relative to the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because there are other parties under this order subject to continued payments in the escrow.
- 4.5. The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 14 day of June, 2011 by a majority of the Virginia Gas and Oil Board.

Bradley C. Lambert
Bradley C. Lambert, Chairman
Virginia Gas and Oil Board

DONE AND PERFORMED this 14 day of June, 2011 by an Order of this Board.

David E. Asbury Jr.
David E. Asbury Jr.,
Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF ~~WASHINGTON~~

Russell M
Acknowledged on this 14 day of June, 2011, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley C. Lambert, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and David E. Asbury Jr., being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis
Diane J. Davis
Notary Public #174394

My commission expires: 09 / 30 / 2013



5.2 Applicant has certified and represented to the Board that:

- (1) Coal Mountain Mining Co. Limited Partnership, LLP and Buford E. Short et ux are the owners of the coal and gas acreage estate underlying Tract 1B of the Subject Drilling Unit AV-127 and Court decision Case No. 11-301 stated Buford E. Short, et ux is entitled to 100% of the Royalties from coalbed methane gas of the subject unit;
- (2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

VGOB Approved Disbursement
 VGOB-04-1214-1365-01 Disbursement
 AV-127

			Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
Table 1							
Disbursement Table							
Item	Tract	A portion of Tract 2					
No		Totals				45.9000	
			9.84				
1	1B	Coal Mountain Mining Co. Limited Partnership, LLP	1	9.84000000	0.0%	-	0.0000%
	1B						
2	1B	Buford E. Short, et ux / 3929 Road Ridge Turnpike / Raven, VA 24639	1	9.84000000	100.0%	9.8400	21.4379%
		<i>(Court Order - Case No. 11-301)</i>					

6. Relief Granted:

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 be deposited by the Unit Operator into the Escrow Account, and, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. Conclusion:

Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and **IT IS SO ORDERED.**

8. Appeals:

Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET NO: VGOB 04-1214-1365-01RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 1B
(2) AND AUTHORIZATION FOR DIRECT
PAYMENT OF ROYALTIES

HEARING DATE: May 17, 2011

DRILLING UNIT: AV-127

RUSSELL & TAZEWELL COUNTIES, VIRGINIA

MISCELLANEOUS PETITION

1. Petitioner and its counsel: Petitioner is CNX Gas Company LLC, 2481 John Nash Boulevard, Bluefield, WV 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, SWARTZ LAW OFFICES, PLLC., 601 Sixth Avenue, Suite 201, P.O. Box 1808, St. Albans, WV 25177-1808.

2. Relief sought: (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 1B as depicted upon the annexed Exhibit A-1; and (2) authorization to begin paying royalties directly to the prevailing plaintiffs Buford E. Short, et ux

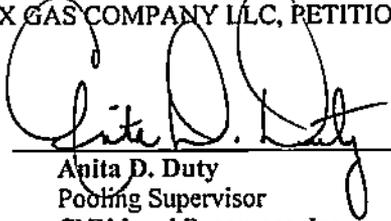
3. Legal Authority: Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

4. Type of well(s): Coalbed methane.

5. Factual basis for relief requested: Buford E. Short, et ux is entitled to 100% of the Royalties according to the final order which was entered on March 30, 2011, Case No:11-301, adjudicating the ownership of coalbed methane gas. This order allows the Applicant and Designated Operator to pay royalties directly to the prevailing plaintiffs identified in Exhibit EE annexed hereto and the annexed Exhibit A-1, further, specifies how said royalties are to be paid.

6. Attestation: The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY ITS PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By: 

Anita D. Duty
Pooling Supervisor
CNX Land Resources, Inc.
2481 John Nash Blvd.
Bluefield, West Virginia 24701



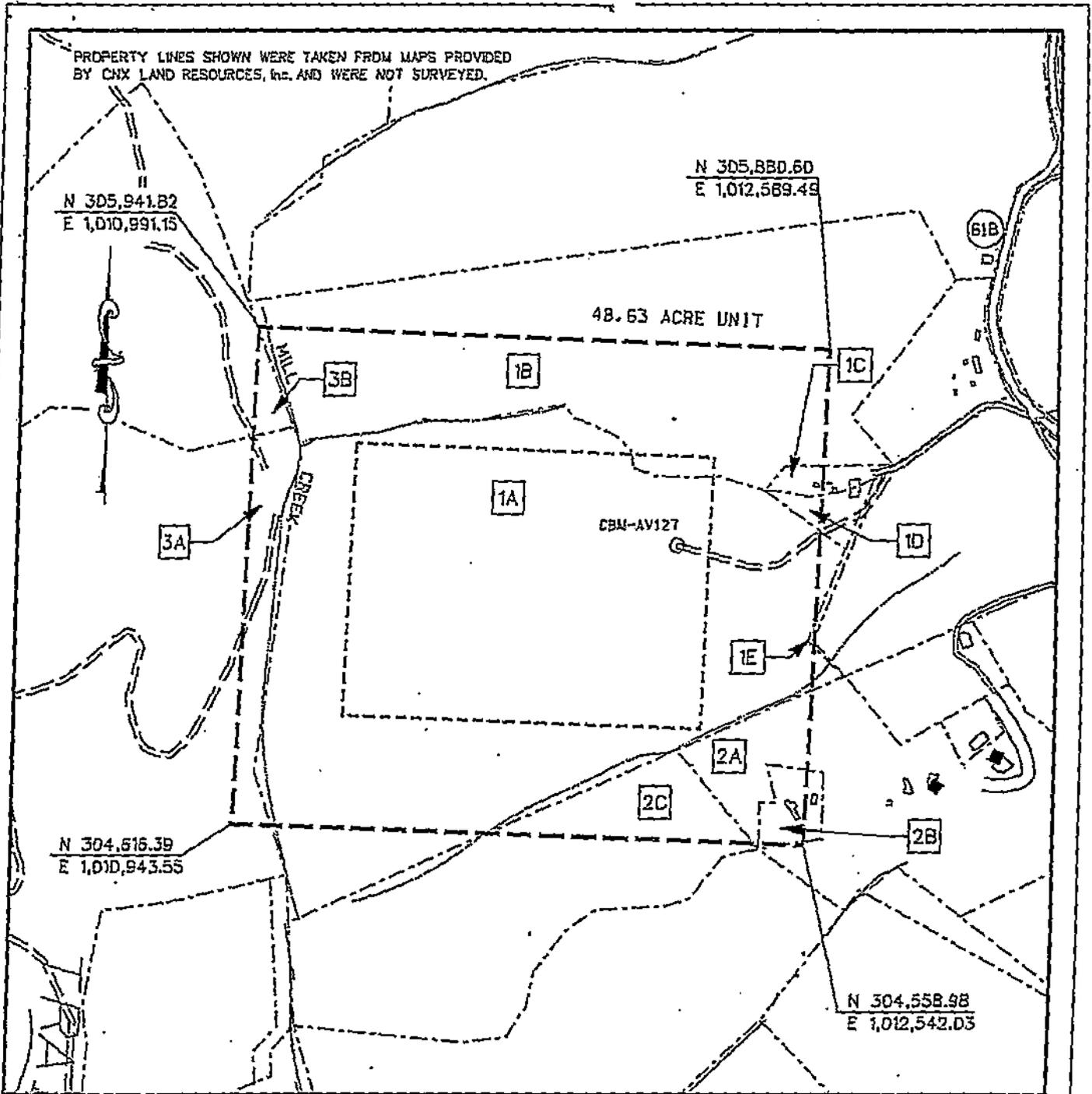


EXHIBIT A
 MIDDLE RIDGE 1 FIELD
 UNIT AV-127
 FORCE POOLING
 VGDB-04-1214-1365

Company CNX Gas Company LLC Well Name and Number WELL AV127
 Tract No. _____ Elevation _____ Quadrangle Honaker
 County Tazewell/Russell District Maiden Springs/New Garden Scale: 1" = 400' Date 11/11/13
 This plat is a new plat X; an updated plat _____; or a final plat _____

Form DGD-GD-7 Charles May 10558 (Affix Seal)
 Professional Engineer or Licensed Land Surveyor

CNX Gas Company LLC

UNIT AV-127

Tract Identifications

- 1A. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
Knox Creek Coal Corporation - Above Drainage Coal Leased
CNX Gas Company LLC - CBM Leased
CNX Gas Company LLC - Surface and All Minerals except Coal
(Tax Map 84 Parcel 13)
31.56 acres 64.8982%
- 1B. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
Knox Creek Coal Corporation - Above Drainage Coal Leased
CNX Gas Company LLC - CBM Leased
Buford E. Short, et ux - Surface and All Minerals except Coal
(Tax Map 84 Parcel 12)
9.84 acres 20.2344%
- 1C. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
Knox Creek Coal Corporation - Above Drainage Coal Leased
CNX Gas Company LLC - CBM Leased
John McClanahan, et ux - Surface and All Minerals except Coal
(Tax Map 84 Parcel 18)
0.22 acres 0.4524%
- 1D. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
Knox Creek Coal Corporation - Above Drainage Coal Leased
CNX Gas Company LLC - CBM Leased
John McClanahan, et ux - Surface and All Minerals except Coal
(Tax Map 84 Parcel 17)
0.17 acres 0.3496%
- 1E. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
Knox Creek Coal Corporation - Above Drainage Coal Leased
CNX Gas Company LLC - CBM Leased
Carol Sims, et vlr - Surface and All Minerals except Coal
(Tax Map 84 Parcel 20)
0.01 acres 0.0206%

...
CNX Gas Company LLC
UNIT AV-127
Tract Identifications

- 2A. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 21 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
 Knox Creek Coal Corporation - Above Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Gladys Salyers - Surface and All Minerals except Coal
 (Tax Map 84 Parcel 22)
 1.56 acres 3.2079%
- 2B. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 21 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
 Knox Creek Coal Corporation - Above Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Dale Salyers, et ux - Surface and All Minerals except Coal
 (Tax Map 84 Parcel 24)
 0.51 acres 1.0487%
- 2C. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 21 - Coal Reserve Coal Properties Company - Below Drainage Coal Leased
 Knox Creek Coal Corporation - Above Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Jackie Davis, et ux - Surface and All Minerals except Coal
 (Tax Map 84 Parcel 25)
 2.03 acres 4.1744%
3. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 41 - All Minerals Reserve Coal Properties Company - Below Drainage Coal Leased
 Knox Creek Coal Corporation - Above Drainage Coal Leased
 CNX Gas Company LLC - Oil, Gas and CBM Leased
 (Tax Map 84 Parcel 15)
 2.73 acres 5.6138%
- 3A. Hubert Short, et ux - Surface (Tax Map 84 Parcel 15)
 3B. Edward S. Miller, et ux - Surface (Tax Map 84 Parcel 14)

Exhibit E
 Unit AV-127
 Docket #VGOB 04-1214-1365-01
 List of Conflicting Owners/Claimants that require escrow
 (48.63 Acre Unit)

	Acres in Unit	Interest in Unit
<u>Tract #1A, 31.56 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	31.56 acres	64.8982%
<u>OIL & GAS OWNERSHIP</u>		
(1) CNX Gas Company LLC 2481 John Nash Blvd. Bluefield, WV 24701	31.56 acres	64.8982%
<u>Tract #1C, 0.22 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.22 acres	0.4524%
<u>OIL & GAS OWNERSHIP</u>		
(1) John McClanahan, et ux. 104 Stella Lane Raven, VA 24639	0.22 acres	0.4524%
<u>Tract #1D, 0.17 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.17 acres	0.3496%
<u>OIL & GAS OWNERSHIP</u>		
(1) John McClanahan, et ux. 104 Stella Lane Raven, VA 24639	0.17 acres	0.3496%
<u>Tract #1E, 0.01 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.01 acres	0.0206%

Exhibit E
Unit AV-127
Docket #VGOB 04-1214-1365-01
List of Conflicting Owners/Claimants that require escrow
(48.63 Acre Unit)

	Acres in Unit	Interest in Unit
<u>OIL & GAS OWNERSHIP</u>		
(1) Carol Sims, et vir. 511 Pagewood Drive Newport News, VA 23602	0.01 acres	0.0206%
<u>Tract #2A, 1.56 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	1.56 acres	3.2079%
<u>OIL & GAS OWNERSHIP</u>		
(1) Gladys Salyers 368 Stella Lane Raven, VA 24639	1.56 acres	3.2079%
<u>Tract #2B, 0.51 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.51 acres	1.0487%
<u>OIL & GAS OWNERSHIP</u>		
(1) Dale Salyers 484 Stella Lane Raven, VA 24639	0.51 acres	1.0487%
<u>Tract #2C, 2.03 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	2.03 acres	4.1744%
<u>OIL & GAS OWNERSHIP</u>		
(1) Jackie Davis, et ux. Rt1 Box 16C Raven, VA 24639	2.03 acres	4.1744%

Exhibit EE
Unit AV-127
Docket #VGOB 04-1214-1365-01
List of Conflicting Owners/Claimants with Royalty Split Agreements
(48.63 Acre Unit)

	Acres in Unit	Interest in Unit	Percent of Escrow
<u>Tract #1B, 9.84 acres</u>			
<u>COAL OWNERSHIP</u>			
(1) Coal Mountain Mining Company Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	9.84 acres	20.2344%	n/a
<u>OIL & GAS OWNERSHIP</u>			
(1) Buford E. Short, et ux. 3929 Road Ridge Turnpike Raven, VA 24639	9.84 acres	20.2344%	21.4379%

Note: *CBM ownership was adjudicated to the prevailing plaintiffs under Case no. 11-301 executed in the order dated March 30, 2011 they were awarded 100% of the Coalbed Methane Gas underlying this tract. Royalties will be paid 100% to the prevailing plaintiffs.*

Exhibit A-1
Tract-by-Tract Escrow Calculation
Account Balances as of 3/31/11

BOOK - 736 PAGE 0581

Unit AV127
 VGOB 04-1214-1365-01
 Acres Escrowed: 45.90000

Owners	Tract #	Acres		Amount Due Owners \$110,799.58
Coal Mountain Mining Co. Limited Partnership, LLP - Coal	1b	9.84	21.4379%	\$23,753.11
Buford E. Short, et ux - O,G & CBM				

Wells contributing to the escrow account: AV127

1101740

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF RUSSELL COUNTY, 7-13- 2011. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 2:00 o'clock P.M, after payment of \$_____ tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

TESTE: ANN S. McREYNOLDS, CLERK
 BY: Innaida Cook D. CLERK